

**GRAVITY DRAINAGE DISTRICT NO. 6
OF THE PARISH OF ST. MARY**

Amelia, Louisiana

Year Ended September 30, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and where appropriate at the office of the parish clerk of court.

Release Date APR 18 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Gravity Drainage District No. 6 of the Parish of St. Mary
Amelia, Louisiana

We have audited the accompanying financial statements of the governmental activities and the major fund of Gravity Drainage District No. 6 of the Parish of St. Mary (hereinafter, the "District"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District, as of September 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 11 to the financial statements, effective October 1, 2010, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 24 and 25 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 12, 2012

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Statement of Net Assets
September 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and interest-bearing deposits	\$ 8,081
Investments	665,740
Prepaid expenses	9,236
Capital assets not being depreciated	288,791
Capital assets, net of accumulated depreciation	<u>969,732</u>
Total assets	<u>1,941,580</u>
LIABILITIES	
Accounts, salaries, and other payables	<u>42,022</u>
NET ASSETS	
Invested in capital assets	1,258,523
Unrestricted	<u>641,035</u>
Total net assets	<u>\$ 1,899,558</u>

The accompanying notes are an integral part of the financial statements

GRAVITY DRAINAGE DISTRICT NO 6 OF THE PARISH OF ST MARY
Amelia, Louisiana

Statement of Activities
Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities			
Drainage works	\$ 462,931	\$ 1,055	\$ (461,876)
General revenues			
Taxes-			
Property taxes, levied for maintenance			448,879
Interest and investment earnings			<u>362</u>
Total general revenues			<u>449,241</u>
Change in net assets			(12,635)
Net assets - October 1, 2010			<u>1,912,193</u>
Net assets - September 30, 2011			<u>1,899,558</u>

The accompanying notes are an integral part of the financial statements

FUND FINANCIAL STATEMENTS

MAJOR FUND DESCRIPTION

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Balance Sheet
Governmental Fund
September 30, 2011

	<u>General Fund</u>
ASSETS	
Assets	
Cash and interest-bearing deposits	\$ 8,081
Investments	<u>665,740</u>
 Total assets	 <u>\$ 673,821</u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 42,022
 Fund balance	
Unassigned	 <u>631,799</u>
 Total liabilities and fund balance	 <u>\$ 673,821</u>

(continued)

**GRAVITY DRAINAGE DISTRICT NO 6 OF THE PARISH OF ST MARY
Amelia, Louisiana**

**Balance Sheet (continued)
Governmental Fund
September 30, 2011**

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets

Total fund balances for governmental funds at September 30, 2011	\$ 631,799
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Total net assets reported for governmental activities in the statement of net assets is different because

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds Those assets consist of

Land	\$ 195,315	
Construction in progress	93,476	
Pumps and engines, net of accumulated depreciation	165,466	
Pump station improvements, net of accumulated depreciation	709,256	
Drainage improvements, net of accumulated depreciation	24,516	
Buildings, net of accumulated depreciation	<u>70,494</u>	
		\$1,258,523

Prepaid expenditures used in governmental activities are not financial resources and therefore are not reported in the funds	<u>\$ 9,236</u>
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Net assets at September 30, 2011	<u>\$1,899,558</u>
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The accompanying notes are an integral part of the financial statements

**GRAVITY DRAINAGE DISTRICT NO 6 OF THE PARISH OF ST MARY
Amelia, Louisiana**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
Year Ended September 30, 2011**

	<u>General Fund</u>
Revenues	
Local Sources-	
Ad valorem taxes	\$ 448,879
Interest income	1,055
Miscellaneous	<u>362</u>
Total revenues	<u>450,296</u>
Expenditures	
Current -	
Drainage works	
General government	84,694
Repairs and maintenance	144,367
Professional fees	159,442
Fuel and utilities	11,406
Capital outlay	<u>130,792</u>
Total expenditures	<u>530,701</u>
 Net change in fund balance	 (80,405)
 Fund balances, beginning	 <u>712,204</u>
 Fund balance, ending	 <u>\$ 631,799</u>

(continued)

GRAVITY DRAINAGE DISTRICT NO 6 OF THE PARISH OF ST MARY
Amelia, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance (continued)
Governmental Fund
Year Ended September 30, 2011

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of the Governmental Fund to the Statement of Activities**

Total net changes in fund balance for the year ended September 30, 2011 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ (80,405)
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The change in net assets reported for governmental activities in the
statement of activities is different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 130,792	
Depreciation expense for the year ended September 30, 2011	<u>(64,693)</u>	66,099

Governmental activities report the changes in prepaid expenditures as an increase or decrease in current general government expenditures.		
Current year prepaid expenditures	9,236	
Prior year prepaid expenditures	<u>(7,565)</u>	<u>1,671</u>

Total changes in net assets for the year ended September 30, 2011 per Statement of Activities	\$ <u>(12,635)</u>
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The accompanying notes are an integral part of the financial statements

GRAVITY DRAINAGE DISTRICT NO 6 OF THE PARISH OF ST MARY
Amelia, Louisiana

Notes to Financial Statements

The Gravity Drainage District No 6 of the Parish of St Mary (hereinafter "District"), was created and established pursuant to the provisions of an ordinance adopted by the St Mary Parish Council (formerly the St Mary Parish Police Jury), in compliance with the provisions of Louisiana Revised Statutes. The District is managed by a board of commissioners appointed by the St Mary Parish Council. The District has full power and authority to drain lands in the district by construction, maintenance and operation of gravity and/or forced drainage facilities, including drains, drainage canals, ditches, pumps and pumping plants, dikes, levees and other related works.

(1) Summary of Significant Accounting Policies

The more significant of the District's accounting policies are described below.

A Reporting Entity

As the governing authority of the parish, for reporting purposes, the St Mary Parish Government is the financial reporting entity for St Mary Parish. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement (GASB) No 14 established criteria for determining which component units should be considered part of the St Mary Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

- Appointing a voting majority of an organization's governing body, and the ability of the Parish Council to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish Council.
- Organizations for which the Parish Council does not appoint a voting majority but are fiscally dependent on the Parish Council.
- Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

GRAVITY DRAINAGE DISTRICT NO 6 OF THE PARISH OF ST MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

Because the Parish Council appoints the governing body and has the ability to significantly impose its will, the District is a component unit of the St Mary Parish Government, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish Council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis—for State and Local Governments*, issued in June 1999.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include all the financial activities of the District. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The statement of activities presents a comparison between direct expenses and program revenues for the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the District, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

GRAVITY DRAINAGE DISTRICT NO 6 OF THE PARISH OF ST MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

Fund Financial Statements

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds. The General Fund of the District is considered to be the major fund and is described below.

Governmental Fund –

General Fund – this fund is the primary operating fund of the District and it accounts for the operations of the District's office. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to District policy.

C Capital Assets

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$500 or more for capitalizing capital assets.

Capital assets are recorded in the statement of net assets. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Buildings, pump stations and improvements	20 – 40 years
Drainage system improvements	5 – 12 years
Equipment, pumps and engines	5 – 7 years
Land, canals, levees and construction in progress	not depreciated

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

D Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. The District uses the following practices in recording certain revenues and expenditures:

Revenues

Intergovernmental revenues are recorded when approved for payment by the payer or governing body.

Substantially all other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt is recognized when due.

E Budgetary Practices

The District prepares and adopts a budget in accordance with LSA-RS 39:1301 et seq. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund. The original budget was not amended during the current fiscal year, therefore, a comparison of amended budget to actual budget is not presented.

Neither encumbrance accounting nor formal integration of the budget into the accounting records is employed as a management control device. However, periodic comparisons of budget and actual amounts are made. Budget amounts included in the accompanying financial statements include the original adopted budget.

GRAVITY DRAINAGE DISTRICT NO 6 OF THE PARISH OF ST MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

F Cash

Cash includes amounts in demand deposits and interest bearing demand deposits

Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana

G Investments

Under state law, the District may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana Law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. All of the District's investments are in LAMP, which are stated at amortized cost.

H Prepaid Items

Insurance payments made to insurance agencies that will benefit periods beyond the current period are recorded as prepaid items

GRAVITY DRAINAGE DISTRICT NO 6 OF THE PARISH OF ST MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

I Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components

- a Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets
- b Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation
- c Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt ”

Effective October 1, 2010, the District implemented the provisions of GASB Statement No 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund statements, governmental fund equity is classified as fund balance. Fund balance is displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used

- a Nonspendable – amounts that cannot be spent either because they are in nonspendable form (such as prepaid amounts) or because they are legally or contractually required to be maintained intact
- b Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments
- c Committed – amounts that can be used only for specific purposes determined by a formal action of the Board of Commissioners. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through formal actions of the Board of Commissioners
- d Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District’s adopted policy, only the Board of Commissioners may assign amounts for specific purposes
- e Unassigned – amounts that are available for any purpose, these amounts can be reported only in the District’s General Fund

GRAVITY DRAINAGE DISTRICT NO 6 OF THE PARISH OF ST MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

When an expenditure is uncured for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Commissioners has provided otherwise in its commitment of assignment actions.

J Capitalized Interest

The District capitalizes interest costs and interest earned as part of the cost of constructing various projects when material. The District capitalized no interest for the year ended September 30, 2011.

(2) Cash

At September 30, 2011, the District has a cash (book balances) totaling \$8,081, as follows:

Cash in demand deposits	<u>\$ 8,081</u>
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Under state law, deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the District or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2011, the District has \$8,155 in deposits (bank balances) which are entirely secured from risk by federal deposit insurance.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. Since the District's total bank balances were fully insured, the deposits are not exposed to custodial credit risk.

GRAVITY DRAINAGE DISTRICT NO 6 OF THE PARISH OF ST MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

(3) Investments

Investments held at September 30, 2011 consist of \$665,740 in the Louisiana Asset Management Pool. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R S 33:2955.

GASB Statements No. 40, *Deposit and Investment Risk Disclosure*, requires the disclosure of credit risk, custodial credit risk, interest rate risk, concentration of credit risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investments pools:

- Credit risk – LAMP is rated AAAM by Standard & Poor's
- Custodial credit risk – LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not with the securities that make up the pool, therefore, no disclosure is required.
- Concentration of credit risk – pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk – 2a7-like investment pool are excluded from this disclosure requirement, per paragraph 15 of the GASB 40 statement.
- Foreign currency risk – not applicable to 2a7-like pools.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair market value of investments is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

(4) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property within the District's taxing area as of January 1 of each year. Taxes are levied by the District in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The St. Mary Parish Sheriff bills and collects the District's property taxes using the assessed values determined by the tax assessor of St. Mary Parish. District property tax revenues are budgeted in the year billed. For the year ended September 30, 2011, the District levied a property tax of 7.83 mills for maintenance and operations on property with assessed valuations totaling \$59,818,437. The total taxes collected were \$448,879.

(5) Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

	<u>Balance</u> <u>10/1/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2011</u>
Governmental activities				
Capital assets not being depreciated				
Land (levees and canals)	\$ 195,315	\$ -	\$ -	\$ 195,315
Work in progress	57,701	35,775	-	93,476
Capital assets, being depreciated				
Pumps and engines	400,530	31,436	-	431,966
Pump station improvements	1,272,270	16,144	-	1,288,414
Drainage improvements	160,190	3,233	-	163,423
Buildings, equipment and other	68,258	44,204	-	112,462
Total capital assets	<u>2,154,264</u>	<u>130,792</u>	<u>-</u>	<u>2,285,056</u>
Less: accumulated depreciation				
Pumps and engines	253,226	13,275	-	266,501
Pump station improvements	535,974	43,184	-	579,158
Drainage improvements	137,031	1,876	-	138,907
Buildings, equipment and other	35,609	6,358	-	41,967
Total	<u>961,840</u>	<u>64,693</u>	<u>-</u>	<u>1,026,533</u>
Net capital assets	<u>\$ 1,192,424</u>	<u>\$ 66,099</u>	<u>\$ -</u>	<u>\$ 1,258,523</u>

Depreciation expense in the amount of \$64,693 was charged to drainage works.

GRAVITY DRAINAGE DISTRICT NO 6 OF THE PARISH OF ST MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

(6) Compensation Paid To Board Members

The schedule of compensation paid to the Board of Commissioners for the period ended September 30, 2011

<u>Name</u>	<u>Per Diem Received</u>
Leroy Breaux	\$ 1,495
Anthony Marcell	1,170
Carl McAllister	1,300
Leslie Howard	975
Nick Morris	975
Total	<u>\$ 5,915</u>

REQUIRED SUPPLEMENTARY INFORMATION

GRAVITY DRAINAGE DISTRICT NO 6 OF THE PARISH OF ST MARY
Amelia, Louisiana

Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Actual</u>	
Revenues			
Ad valorem taxes	\$ 400,000	\$ 448,879	\$ 48,879
Interest income	500	1,055	555
Miscellaneous income	250	362	112
Total revenues	<u>400,750</u>	<u>450,296</u>	<u>49,546</u>
Expenditures			
Current -			
Drainage works			
General government	53,025	84,694	(31,669)
Repairs and maintenance	145,000	144,367	633
Professional fees	165,000	159,442	5,558
Utilities	9,650	11,406	(1,756)
Capital outlay	100,000	130,792	(30,792)
Total expenditures	<u>472,675</u>	<u>530,701</u>	<u>(58,026)</u>
Net change in fund balance	<u>(71,925)</u>	<u>(80,405)</u>	<u>(8,480)</u>
Fund balance, beginning	<u>712,204</u>	<u>712,204</u>	<u>-</u>
Fund balance, ending	<u>\$ 640,279</u>	<u>\$ 631,799</u>	<u>\$ (8,480)</u>

See notes to budgetary comparison schedule

GRAVITY DRAINAGE DISTRICT NO 6 OF THE PARISH OF ST MARY
Amelia, Louisiana

Notes to Budgetary Comparison Schedule

(1) Basis of Accounting

The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP)

(2) Budgetary Practices

The District prepares and adopts a budget in accordance with LSA-RS 39 1301 et seq. Budgeted amounts are as originally adopted. No budgetary amendments were adopted during the fiscal year, therefore, a comparison of amended budget to actual is not presented.

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Commissioners
 Gravity Drainage District No. 6 of the Parish of St. Mary
 Amelia, Louisiana

We have audited the financial statements of the governmental activities and the major fund of Gravity Drainage District No. 6 of the Parish of St. Mary (hereinafter "District"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of audit results and findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of audit results and findings as item 2011-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of audit results and findings as item 2011-2.

The District's responses to the findings identified in our audit are described in the accompanying corrective action plan for current year findings. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the District's Board of Commissioners, management and others within the organization, the St. Mary Parish Council and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 12, 2012

GRAVITY DRAINAGE DISTRICT NO 6 OF THE PARISH OF ST MARY
Amelia, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2011

2010-1 Inadequate Segregation of Duties

CONDITION Accounting and financial functions are not adequately segregated

RECOMMENDATION Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties

CURRENT STATUS See schedule of audit results and findings item 2011-1

2010-2 Application of GAAP (generally accepted accounting principles)

CONDITION Management and staff lack the training and expertise in the selection and application of GAAP in the financial statement preparation process

RECOMMENDATION Due to budgetary limitations, the additional costs required to achieve the desired benefit may not be economically feasible

CURRENT STATUS This finding is no longer applicable

GRAVITY DRAINAGE DISTRICT NO 6 OF THE PARISH OF ST MARY
Amelia, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2011

Part I Summary of auditor's results

Unqualified opinions were issued on the financial statements of the District's governmental activities and its major fund (General Fund)

A deficiency in internal control was disclosed by the audit of the financial statements and the condition is considered a material weakness

An instance of noncompliance which is material to the financial statements and required to be reported in accordance with *Government Auditing Standards* is included in Part II of this schedule

A management letter was not issued

Part II Findings relating to an audit in accordance with *Government Auditing Standards*

A Internal Control

2011-1 Segregation of Duties

CONDITION Accounting and financial functions are not adequately segregated

CRITERIA Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The District's internal control over financial reporting includes those policies and procedures that pertain to the District's ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements

CAUSE The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control

EFFECT Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected

RECOMMENDATION Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties

**GRAVITY DRAINAGE DISTRICT NO 6 OF THE PARISH OF ST MARY
Amelia, Louisiana**

**Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2011**

B Compliance

2011-2 Budget Variance

CONDITION An expenditure budget variance in excess of 5% was incurred in the General Fund

CRITERIA LSA-RS 39 1311 et seq, Budgetary Authority and Control, provides for the following

“A The adopted budget and any duly authorized adopted amendments shall form the framework from which the chief executive or administrative officers and members of the governing authority of the political subdivision shall monitor revenues and control expenditures The chief executive or administrative officer shall advise the governing authority or independently elected official in writing when

- (1) Revenue collection plus projected revenue collections for the remainder of the year, within a fund fail to meet estimated annual revenues by five percent or more
- (2) Actual expenditures plus projected expenditures for the remainder of the year, within a fund are exceeding estimated budgeted expenditures by five percent or more
- (3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and beginning fund balance is being used to fund current expenditures ”

CAUSE The condition results from a failure to properly monitor the expenditures of the General Fund

EFFECT The District may not prevent and/or detect compliance violations due to overexpenditure of the appropriated budget, and/or errors or irregularities on a timely basis

RECOMMENDATION We recommend the District periodically prepare and review budget to actual comparisons and amend the budget in effect upon determination of significant variances

Part III Findings and questioned costs for federal awards reported in accordance with Office of Management and Budget Circular A-133

The requirements of OMB Circular A-133 do not apply to the District

**GRAVITY DRAINAGE DISTRICT NO 6 OF THE PARISH OF ST MARY
Amelia, Louisiana**

**Corrective Action Plan for Current Year Findings
Year Ended September 30, 2011**

2011-01 – Segregation of Duties

CONDITION Accounting and financial functions are not adequately segregated

MANAGEMENT'S RESPONSE Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve adequate segregation of duties

2011-2 – Budget Variance

CONDITION An expenditure variance in excess of 5% was incurred in the General Fund

MANAGEMENT'S RESPONSE Monitoring of budget variances will be improved by periodically preparing and reviewing budget to actual comparisons and adopting budgetary amendments as necessary to comply with state statute